

Health Insurance Subsidies Available through Exchanges under the ACA

- The ACA outlines two available forms of health insurance subsidies for individuals and families who purchase health insurance coverage on their own through a health insurance exchange, starting 2014:
 - Premium Tax Credits: Citizens and legal residents with incomes up to 400% FPL are eligible for tax credits to reduce premium costs; and
 - Cost-Sharing Subsidies: Citizens and legal residents with incomes up to 250% FPL are *also* eligible for reduced cost sharing (e.g., coverage with lower deductibles and copayments) paid for by the federal government.
- Individuals who are eligible for public coverage and those who are offered coverage through an employer are *not* eligible for premium tax credits, *unless*:
 - The employer plan does not have an actuarial value of at least 60%; or
 - The individual's share of the premium for employer-sponsored insurance exceeds 9.5% of their income.

Individuals who meet the above mentioned thresholds for unaffordable employer-sponsored insurance are eligible to enroll in a health insurance exchange and may receive tax credits to reduce the cost of coverage purchased through the exchange.

Premium Tax Credits

- The tax credit amount that an individual is eligible for is based on the premium for the benchmark plan (the second lowest cost silver plan available in an Exchange). The tax credit amount varies with income in order to ensure that the premium an individual would have to pay for the second lowest cost silver plan would not exceed a specified percentage of their income (adjusted for family size).
- Individuals who desire to purchase plans that are more expensive would be required to pay the full difference between the cost of the second lowest cost silver plan and the plan they wish to purchase.
- Premium tax credits are refundable (available to a person even if they have no tax liability) and advanceable (allowing a person to receive assistance at the time they purchase insurance rather than requiring them to pay their premium out-of-pocket and wait to be reimbursed when they file their annual income tax return).

Cost-Sharing Subsidies

- Cost-sharing subsidies are intended to protect lower-income individuals with health insurance coverage from high out-of-pocket costs at the point of service. The ACA allows individuals and families with incomes at or below 250% FPL to enroll in health plans with higher actuarial values and lower out-of-pocket limits on spending. The amount of additional coverage varies with income.
- The two cost-sharing provisions (higher actuarial value and lower out-of-pocket limits) will require health plans that offer coverage to lower income people in the Exchange to increase the actuarial value of the coverage in the plans they receive and to do so in a way that caps enrollee out-of-pocket liability within the specified levels.
- The federal government will pay insurers directly for the costs associated with the cost-sharing.

Income Level	Premium as a Percent of Income	Actuarial Value	Reduction in Out-of-Pocket Liability
Up to 133% FPL	2% of income	94 – 100%	Two-thirds of the maximum
133-150% FPL	3 – 4% of income	94%	Two-thirds of the maximum
150-200% FPL	4 – 6.3% of income	87%	Two-thirds of the maximum
200-250% FPL	6.3 – 8.05% of income	73%	One-half of the maximum
250-300% FPL	8.05 – 9.5% of income	70%	One-half of the maximum
300-400% FPL	9.5% of income	70%	One-third of the maximum